

December Job Report

Summary

The economy added 292,000 jobs in December. The job gains were widespread throughout the were revised up by 50,000. The unemployment rate remained at 5.0 percent. Average hourly earnings rose 2.5 percent from a year ago. Both labor force rose indicating the employment picture is even better than reported.

Analysis

U.S.A is an island of prosperity compared to the dull and slow economies around the world. The job gains over the past three months were 284,000. During the past two years, employment gains were whopping 3.1 million (2014) and 2.7 million (2015) recording 5th straight years of 2 million or more. As Yellen predicted, the average hourly earnings are inching up as the job market tightens showing 2.5 percent rise from a year ago.

The cumulative data supports the FOMC's decision to liftoff in December. As the minutes of the December FOMC showed, there were doubts about the strength of the economy especially as it relates to wage gains. However, the Committee believed that the strengthening job market will sooner or later generate more wage increases justifying the expected rate hike.

Despite the healthy job report, we can't rejoice for now. Unfortunately, the waves from overseas have begun to crash into the U.S. shores threatening the prosperity here. China's economic growth is slowing faster than most people think. The latest turbulence in the country's stock market is a harbinger of more troubles to come. Competitive devaluations in Asia and elsewhere will spread.

The stronger dollar and weak economic growth overseas especially in emerging markets will impact U.S. economic growth negatively.

The rate of employment gains will slow in coming months with the economy approaching full-employment and the output gap narrowing.

Given the projected slowdown of the domestic economy and the problems coming from abroad, the December report could be an exception rather than a trend. There will be disappointments.